

G. R. S. 58]

Previous references.

1877

191

File No. /

Serial Nos. 10-16

Later references.

(*Banking*)

GENERAL AND REVENUE SECRETARIAT.

Serial Nos. 10 to 15.

all Part B for

SUBJECT.

*Appointment of Messrs. Lacy & Jennings, to
investigate into and report on the affairs of
the Bangalore Bank.*

MT

1877.

From H. C. Lorch, Esq.,
Reader & Legal Adviser to the
Bangalore Bank

To
Secy. to Ch. Comr. of Mysore.

Dated 8th October 1877.

Despatched

Received

Enclosures No. 1

General No.

No.

1877.

Enclosed, in original, a letter received by him from the Directors of the Bangalore Bank (Ltd) wherein they express their earnest desire that the Local Govt may be pleased direct the Insp^r to commence inspection speedily, in view to resuscitation of the Bank.

To Rai Bahadur Narasimany
Maddur & others No 413 D. 5/10/77. Recd 17/10/77
955

78

Museum Road,
Bangalore, 8th Oct 1877

Major Indrady Clarke, ^{E. & A.}
Secretary to the Chief Commissioner
Bangalore

Sir

I have the honor to forward an Original letter of this date, addressed to me by the Directors of the Bangalore Bank, (Limited,) wherein they express their earnest desire that the Local Government may be pleased to direct the Inspectors to commence the inspection speedily, in view to a resuscitation of the Bank. I am informed that the sealed cover, containing four Pro/Notes, and also the copies of Proceedings, have already been sent to you. I have not received instructions with reference to the sum of Rs 1000/- in Cash or approved Securities, required to be lodged, but I have no doubt, that the Directors will give this matter their early attention. I have the honor to be,
 Your Obedt servant H. Appala.

79

to be remunerated
to be given to the
inspectors or asked
to settle the
amount of compensation
with them.

(Chas. D. ...)

4:10 PM

Drafted
M. C. 9/10/97

100.

Keep Tracy &
Lanning, May 2
forwarded with a copy
of the recent order
appointing them as inspectors
under the Act, and
requested them to open
the duty at once, as
directed by the Board
Director. The books
papers belonging to the
file, as well as of some
to them, which sent
under care of W
Lacey. By 9/10

Approved - May
should be told to look
on their duties, properly
(I think the Director
ought to be consulted as

8/10/77
Per

Bangalore Bank (Limited)
Bangalore 8 Oct. 1877

H.B. Grock Esq

Plender & Legal Adviser
to the Bangalore Bank Limited

Dear Sir Pursuant to the Resolution
of the Shareholders at the Extraordinary
General Meeting held on Wednesday
the 2nd Instant, we have the pleasure to
ask you to continue your professional
services as the Plender and Legal
Adviser to the Bangalore Bank.
We herewith send you true copies
of the Proceedings recorded at the
Extraordinary General Meeting held
at the Bank Premises on Saturday
the 29th September, and Wednesday
the 2nd Instant. And request that
you will be good enough to forward
the same at once to the Secretary
of the Chief Commissioner, together

with the accompanying Mexico letter
addressed to the Local Government,
and containing four promissory notes,
which are mentioned in the Proceedings
of the 2nd instant.

You will be good enough
to inform the Secretary to the Chief
Commissioner, that in the interests of
the Shareholders, it is our earnest desire
that the Local Government may be pleased
to direct the Inspectors (whom we believe
have been nominated) to commence
the inspection speedily, otherwise we
fear that all hope of resuscitating the
Bank will be lost, for the Bank can-
not be placed on a sound footing unless
the irregularities be ascertained to the
very bone, and the remedy applied. -

Yours faithfully
W. E. D. - Dear Sir,

W. E. D.

Atk. Engle - High

20. 1/2 the currency

W. E. D. - Dear Sir,
W. E. D. - Dear Sir,

W. E. D.

copies of Proceedings
will follow
W. E. D.

They are directed
to be in force
a reference to same.

82

587/2

1877.

Part V

From

To

Dated

Despatched

Received

Enclosures Nos 1 copy of order No 6413/953

General No. 6600

No. 299

Forwarded for information
and guidance copy of this
Office order No 6413/953
of the 5th instant, and
requests that all officers
and Inspectors
enter at once upon
their duties as Inspectors,
under the provisions of
Section 56 of the Indian
Companies' Act, at
by the Directors of the
Bangalore Bank (Ltd.).
2. The papers and marginally
noted in connection
with the affairs of the Bank
are also herewith forwarded
to Mr Lacey - By order
of the Secretary
9/10

- 1 Copy of Report of Meeting 3rd March 1877 Bangalore
- 2 Regulations of the Bank - Do
- 3 Report of Directors for 1876 - Do
- 4 Pamphlet list of letters of shareholders
- 5 Do No 2 of Dr W. G. G. G.
- 6 Do No 3 of Dr W. G. G. G.
- 7 Rules for Agents & Bank Officials
- 8 No 1 copy of Report of Meeting of 27th Feb 1877

- 1 Memorial of the Shareholders of the Bangalore Bank (Ltd) of 15th Sept, with 8 enclosures.
- 2 Letter No 6114 of 24th Sept 1877 to the Agent Bangalore Bank.
- 3 Letter of 27th Sept 1877 from the Agent Bangalore Bank.
- 4 Letter of 28th Sept 1877 from Mr A. Narayanaiah, Shareholder Bangalore Bank.

h
n

W. J. L.
11-10-77

Plan and the
reported by
the applicant
have many more
for the expenses
the investigation
of the case
for the purpose
of attendance with
the order of the
court, as the
evidence of the
case attention to the
order, and request
that the court may
be satisfied to do

W. J. L.

before this 15th

J. G. W.

MISSOURI COMMISSION

86/ 1877

27 1/2

From

To

~~The Deputy Director of the
Bangalore Bank~~

Bank
1-77

H.C. Govin by Pleader
& Legal Advisor B.S.D.

Dated Bangalore 12th October

Despatched

Received

Enclosures No. "

one sealed
cover sent to
Mr. Lacey on
15th 10-77.

General No. 6642
No. 304

~~From letter of 8th Instant
to the Director of the
H.C. Govin, Pleader and
Legal Advisor, Bangalore
Bank (Limited), the
enclosed from him in original.
No. 2 Enclosure for Director,
Bangalore Bank do~~

~~On returning the enclosure
with reference to the above
forwarded for information
Copy of this Office No. 111
No. 6600 of 10th Oct 1877, of
Pleader Messrs Lacey &
Gunnings, Govt. Inspecting
of the Bank and acknow-
ledges receipt of a sealed
packet said to contain
four Govt. Pro. Notes.~~

By order

This reference to the
above, intimates that
Messrs Lacey & Gunnings
have been instructed to
interpose their duties as
Govt. Inspectors under the
Govt. Pro. Act, and
that the sealed packet
containing said Govt.
Pro. Notes, has been
transferred to them for
disposal.

With attention to para
of the Order No. 111/1877
and requests
that the sum of Rs. 1000

Rs. 1000. 10-77

37 May 6 Lodge at
his office in or before
the 15th inst

st 2

General No. 6657

13th Oct 1877

D. 530 Sept 15th 1877

Copy forwarded
to Messrs Lacey
& Jennings with
the sealed packet
referred to.

The Inspector has app^d.
 The copy of bill & ~~proceeds~~
 done by a
 special clerk who has
 illuminated from the
 balance by 9/11

86

2/1

1877/78 (1) 129
 707

From The Gov^t Inspectors,
 Bangalore Bank, Bangalore.

To Secy to Ch. Com^r of Mysore
 Bank
 1-77

26 November 1877. /4

Dispatched
 dated 27/11

Enclosures No. 14 ¹⁴ Report &
 12 appendices

General No. 1877
 No. 11

The Report with appendices
 placed in a separate scale. I cover
 the Inspector's original Pro-
 ceedings sent to Cant
 Magistrate vide Docket No.
 5-7-78. No 8542
 1311-

SR

Forward Report, with 12 appen-
 dices, of their inspection & investigⁿ
 of the accounts of the Bangalore
 Bank, Limited.

It is proposed that after
 consultation the Inspector who
 has some experience
 of the matter & later
 of a meeting place
 a memorandum of 400
 to be kept. Keep
 daily a summary
 inspectory. This bill
 is independent of any
 change in currency, the
 pay of Clerk, Stationer
 & other certain
 to be a sum of Rs 1000
 to deposit a bill to make
 & then change

Copy of this report and
 appendices will be sent
 to the Director, L.B.S.
 Bank, & the Secy to Ch.
 Com^r of Mysore & the
 Secy to Ch. Com^r of Bangalore

87
Bangalore 26th Nov^r 1877

From

The Government Inspectors

14

Bangalore

To

The Secretary

To the Chief Commissioner of Mysore

Bangalore

Memorial of the shareholders of
the Bangalore Bank Ltd. dated
15th Sept^r with 8 enclosures -

1. Letter No. 6114 dated 24th Sept^r 77 to Sir,

the Agent Bangalore Bank -

2. Letter dated 27th Sept^r 77 from the

Agent Bangalore Bank -

3. Letter dated 28th Sept^r 77 from Mr.

D. Narayana Ayyappa Choudhary,

Shareholder Bangalore Bank -

4. Confidential Pro. of the meeting of

Shareholders (Pamphlet) -

5. Regulations of the Bank (Pamphlet)

6. Report of Directors for 1876 - do

7. Pamphlet No. 1 of letters of shareholders

and Agent -

8. Pamphlet No. 2 of do. of Mr. G. G. Gochi

9. Ramalingam & Co. -

10. Pamphlet No. 3 of do. of Mr. Leonard

and Mr. Gochi & Co. -

11. Rules for Agent & Bank Officials -

12. M. S. copy of Pro. of meeting dated

27th Sept^r 1877 -

We have the honor to enclose the Report with 12 Appendices of our inspection and
investigation of the Accounts of the Bangalore Bank Limited as required by the provision
Section 69 of Act X of 1866 and return the documents as per margin received under Cover of

We have also the honor to forward 2 books containing the Original Proceedings

We have the honor to be
Sir,

Your most Obedient servants

Racey
N. S. S. S.

Government Inspectors

P. Brown — In the matter of the Bangalore Bank Limited —

Report of the Inspectors appointed by the Local Government, under the provisions of Section 56 of the Indian Companies Act X of 1866 to investigate into the affairs of the Bangalore Bank Limited.

That the undersigned, having been appointed Inspectors under the provisions of Section 56 of the Indian Companies Act X of 1866, beg to report that we commenced our investigation into the affairs of the Bangalore Bank Limited on Friday, the 12th day of October 1877 and took the accounts made up to the close of that day as the basis of our examination.

2. The Liabilities, and assets of the Bank as they stood on the evening of the 12th October 1877 is shown by the accounts to be as follows:—

Liabilities.

I. Due to the Public:

1. Deposit receipts @ 3% _____	3502 6 8
2. — do — 4% _____	5206 9 1
3. — do — 4% _____	1317 6 4
4. — do — 5% _____	6573 4 5
5. Current Accounts _____	21,036 9 10
6. Suspense Accounts _____	30169 11 9
7. Dividend Accounts _____	1577 . 4
8. Reserved Surplus Fund _____	28576 1 4
9. Unclaimed Dividends _____	796 1 7
10. Bills for Collection _____	5178 14 .
11. Oriental Bank, over drafts _____	15,119 11 7
_____ Total _____	178,207 12 11

II. Due to the Shareholders.

1. Interest Account _____	914 4 12 2
2. Commission Account _____	83 4 13 6
3. Exchange Account _____	" " "
4. Profit and Loss Account _____	60 9 .
5. General Account of Profits _____	10046 2 8
6. Proprietors' Capital _____	6637 4 1 3
_____ Total _____	57378 3 11

See
G.S. No. 6 of 1880
Presumably the chief
Commis' for aff. Secretary
26 Aug/80

E

89

Grand Total of Liabilities 851,995 10

Assets

I. Outstandings

1. Law Charges	18,848	10	3
2. Private Bills discounted	407,896	4	5
3. Loan Account	260,632	8	4
4. Cash Credits	13,615	2	.
5. Furnishings	1408	15	5
6. Charges	1989	12	5
7. Stationery and engraved Forms	3484	4	10
8. Private Bills Lodged	5148	14	.
9. Director's Fees	75	.	.

713,129 4 8

II. Cash Notes and Securities

1. Landlord Properties	23,396	14	2
2. Government securities 4 1/2%	54,900	.	.
3. " do " 4 1/2%	6,000	.	.
4. Interest on " do "	1516	9	5
5. Oriental Bank Madras 12 1/2%	500	.	.
6. " do Calcutta	844	13	11
7. " do Bombay	107	2	4
8. " do London	1458	15	10
9. Agra Bank Madras	7	11	4
Stamp Accounts	361	2	.
Cash in hand	49,775	4	2

Total 138,865 9 2

Grand Total of Assets 851,995 . 10

3. We examined each of these items separately, and the results of our examination is detailed, where necessary, in the following pages.

4. The fixed deposits and Current Accounts were found to be correct. They amounted to:-

Fixed Deposits as per Appendix A I 75,760 10 6

26

At the proper time it would have been better for the shareholders, as it would have led them to form a more correct idea of the actual state of the Bank. This fund has also been reduced this year by the deduction of Rs. 8670-3-8 in order to meet the dividends, a step which was very unwise considering the actual state in which the affairs of the Bank were at the time.

The next item is one of Rs. 5178-14-. This item is a mere nominal debit and consists of Bills given to the Bank for collection, which will only be paid & credited as the case may be after realization. A corresponding nominal entry is made on the credit side of the books as will be seen by Appendix VI. In the accounts of the Bank the sum of Rs. 15,119-11-7 is shown as due to the Bank of Madras, whereas the actual sum owing to them is Rupees 5,118-2-11 being Rs. 9998-7-5 in excess. This difference is to be accounted for

A dishonored draft of Messrs. Abraham & Co. drawn by W. S. N. Abraham, the President of the Bank dated 9 th June 1877 drawn on Messrs. M. Sabapathy Chetty & Co. 88 Pophams Broadway Madras for _____ Rs.	3000
A dishonored draft of Messrs. Abraham & Co. drawn by the dated 1 st May 1877 drawn on Messrs. Taylor & Co. Madras for _____ Rs.	3000
A dishonored draft of Messrs. Abraham & Co. drawn by the dated 31 st May 1877 drawn on Taylor & Co. Madras	2872 9 2
A dishonored draft of the Cashier G. Venkataschellapathi Chetty dated 29 th Sept. 1877 drawn on Taylor and Co. Madras for _____ Rs.	500
A dishonored draft of W. J. Edwards, dated 21 st June 1877 drawn on R. P. Carr & Co. _____ Rs.	400
Interest charged by Oriental Bank _____ Rs.	192 6 -
Commission & charges not debited _____ Rs.	41 8 2
<u>Total Rupees</u>	<u>10,006 3 4</u>

(Rs.) - 12 - more than there ought to be. This trifling discrepancy we are unable to reconcile and as it is in favor of the Bank we accept it, notwithstanding we cannot accurately explain it.

Regarding these dishonored bills more will be paid hereafter when we come to report upon the conduct of the parties concerned.

[Signature]

11. With reference to the amount due to the shareholders the Accounts of the Bank are correct. The items are as follows:-

Interest Account	Rs.	9188	12	2
Commission Account		838	13	6
Profit and Loss Account		60	9	
Proprietors Capital as per Appendix A-VII		663,787	1	3
Total Rupees		673,787	3	11

12. The actual liabilities of the Bangalore Bank after deducting all nominal liabilities are as given below:-

I. Due to the Public

Saved Deposits	Rs.	2,760	10	6
Interest on ditto		888	9	11
Current Accounts		21,036	9	10
Part of Suspense a/c		1852	7	9
Dividend Account		1574		8
Account of unclaimed Dividends		795	1	7
Overdraw Bank		25,118	2	11
Total Rupees		426,988	10	10

II. Due to the Shareholders

1. Interest, Commission, and Profit and Loss as per para 11.	Rs.	10,080	2	8
2. Proprietors Capital		663,787	1	3
3. Reserve Fund		28,576	1	8
Total Rupees		7,02,354	5	3

Grand total of the liabilities Rs. 8,29,342 . 1

Eight lacs, twenty nine thousand, three hundred and forty six and paise only.

13. We have now to consider the assets and see whether the Bank is in a position to meet these liabilities.

14. The first item that demands our attention and the Law Charges or expenses incurred as such and recoverable from the parties. These we have classified as follows:-

Good and recoverable	Rs.	9882	18	6
Of a doubtful nature		2089		8
Recovered in suspense		107		

93

Bad and irrecoverable	Rs.	6849	4	1
Total Rupees		18,848	10	3

The details of this account are given in Appendix No. VIII, some irregularities have been noticed by us in going through this account as for instance where suits have been dismissed as barred or for other causes, the law charges incurred in those particular suits have been allowed to remain on as assets of the Bank, whereas they should have been written off to the debit of the Profit and Loss account and again a sum of money is debited to a Pledger as a balance due by him of Rupees 1025-15- on account of law charges while actually money is owing to him. Of this sum of Rs. 18,848-10-3 only Rs. 9950-5- ^{including Rs. 107-7- already recovered and proferred} may be called a good asset, the remainder being doubtful and bad.

15. The item that next demands our attention is the large one of private bills discounted. This we have divided into two heads viz private bills in the Bank and Decrees and have classified each as follows:-

1. Private bills - Appendix No. IX

Good and recoverable	Rs.	2,53,655	4	3
Doubtful		13,440	3	
Bad and irrecoverable		6101		4
Recovered and held in suspense		10,501	3	10
Total Rupees		3,13,604	14	5

2. Decrees - Appendix No. X

Good and recoverable	Rs.	48,781	15	10
Doubtful		9145	9	2
Bad and irrecoverable		21,544	11	6
Recovered and held in suspense		14,725	1	6
Total Rupees		94,195	6	

Grand Total of discounts Rs. 4,07,800 4 5

16. Regarding this account we have a great many remarks to make. In several cases the Agent has broken the rules by passing notes and loans for over Rs 1000, and making without sanction second and third advances to the same parties at the same time, and when they were indebted to the Bank, as for instance a decree was passed against one Vellare Venkataswamy Naidu on the 2nd October 1896 for Rs. 195-13-11. He not having paid this debt was yet allowed to be a party to two bills for Rs. 1000 each and to

not shown for No. 900 each. This man has admitted that he is worth nothing, and a small sum he owed was not recovered, and yet the Bank advanced No. 3800 on his signature. In another case a man recovered No. 20 per month and owed No. 550 to the Bank, was allowed to produce for No. 2500 and all. Besides these cases many a man of proven worth and character, every staff officer, and petty tradesmen of all kinds, with petty incomes, were allowed to obtain money, and given the evidence taken before you and find that these loans were granted at the instance of the Cashier. Keep Bankers, Chellapathi Chetty and the money in many instances recovered by himself. He shall however point out more clearly the general practices as far as you know in which the Cashier has taken the money for himself. He is a question III has also been taken, and had paid 20 of Section I loan, a letter addressed to, all the doubtful debts caused by the Cashier could never have arisen. With reference to the loan account as per Appendix No. XII it is explained as follows:-

1. Good and Recoverable	No.	2,10,907	8	9
2. Doubtful		29,725	13	8
3. Bad and irrecoverable		19,999	5	11
Total Repaid		2,50,632	8	8

out of this No. 2119-15-7 has been recovered and credited in period as shown below:-

1. of the credit of Good	No.	111	10	2
2. do do Bad		1640	-	-
3. do do Doubtful		368	5	5

which leaves the loans now outstanding at the undermentioned figures:-

1. Good and recoverable	No.	2,10,796	10	7
2. Doubtful		29,357	8	3
3. Bad and irrecoverable		18,359	5	11
Total Repaid		2,58,512	8	9

18. By Regulation LXXV of the Bank, no loan was to be granted for a longer period than one year, and yet almost every loan was granted for a period exceeding 12 months. The head clerk ought to have been struck off from the Bank long ago, and the list of No. 5528-7-8 was compromised in the month of July 1872 and has yet been brought in the books of the Bank year after

year as an asset, thus showing a fictitious amount to the credit of the Bank. Had this sum of Rs. 18,359-5-11 been struck off the books at the time they became bad it would have been better for the shareholders.

19. The Cash Credit account consists of 5 items as follows:-

1. W. J. Rheinins	Rs.	1515	5	
2. W. J. & Adshedd	"	683	15	9
3. Messrs. The Leeches & Co.	"	4873	15	7
4. W. H. Charlesworth	"	4468	6	6
5. W. B. Solasindal Moodi	"	2043	7	2
Total Rupees		13,515	2	

of which the 2nd and 3rd items are bad amounting to Rs. 5557-15-8. The remaining three amounting to Rs. 8067-2-8 are good.

20. The next two items are the undermentioned:-

Furnishings	Rs.	1108	15	5
Charges	"	1989	12	5

which are correct and regarding which we have no remark to make.

21. We now come to the Stationery and engraved forms. According to the accounts there should be Rs. 3484-8-10 worth of Articles, but there are scarcely 50 Rs. worth. This is explained by the Bank Officials who state that all stationery purchased for the use of the Bank was credited to this account and not putted off to Charges, which should have been done. This is another instance of a fictitious asset being brought forward year after year.

22. Private bills lodged as a nominal credit entry per Contra of a similar entry remarked on in para 9.

23. Rupees 75 were paid to the Directors as fees and should be debited to the Charges Account.

24. The landed property in the possession of the Bank consists of two houses with Offices etc. attached. The one is the Bank's premises with dwelling house behind and two shops one on either side. It is valued at Rs. 19,800 at which price it was originally purchased, but some deduction ought to have been made during these 10 years for wear and tear and the value of the property can not now exceed more than Rs. 18,500. The 2nd house is in Richmond Town and was purchased for Rupees

		1500	
Total Rupees		20,000	

P. S. 11 Dec. 1912
1000 Rs. - 11.2

11/12/12

96

There being a loss of Rs. 2,747-6-7 on this item which results from the bringing forward year after year of two fictitious Credits and from no allowance having been made for wear and tear. The item is made up as follows:-

Loss by sale of Mr. Downes' house	Rs. 656	6	7
Loss by sale of Mr. Hunter's houses	811		
Loss by wear and tear	1300		
Total Rupees	2747	6	7

In addition to the above the Bank has laid out Rs. 689-7-7 in purchasing foreign houses at Court sales, the purchase not being yet completed.

25. The Bank holds Government Promissory Notes to the extent of Rs. 60,000 the particulars of which are given in Appendix N^o XII, and the interest due on them is Rs. 1510-9-5 out of this, notes to the value of Rupees 35,000 are pledged with the Oriental Bank Corporation, and against them the Bank has drawn paying interest at the rate of 7 per Cent per Annum while they are receiving only 4 and 4½ per Cent. These notes although exceeding the Reserve Fund in value were kept as a sort of reserve to fall back upon in times of pressure, and before pledging them the sanction of the Directors should have been obtained to the measure, after laying before them the necessity. The notes were purchased under the sanction of the Directors and their sanction ought in like manner to have been obtained to their disposal. But no such step was taken. Mr. Bain, the Agent, in his statement says that he did so at the suggestion of the President, Mr. Abraham, and that he endorsed the notes, but he did not even obtain his written authority to thus pledge. Mr. Abraham in his deposition states that he as President was in charge of these notes and that he gave them to Mr. Bain to send down to Madras and that he did not obtain the permission of the other Directors to his doing so. This conduct on the part of the President and Agent is highly reprehensible, and no joint stock Company will be safe if the President and Agent act in collusion in disposing of the Assets of the Company without the knowledge and Consent of the Board of Directors as a body. The necessity for the pledge has not even been clearly shown. It is evident that it was made in order to meet the drain upon the Bank caused by the declaration of the last dividend, and by the dishonoured notes drawn by the President and Cashier.

26. The Credit in the name of the Oriental Bank Madras of Rs. 500 is a bad draft sent to them for realization and against which the Bank has

recovered Rs. 3 and entered in the proposed Account. Rs. 497 ought therefore to be written off to the debit of "Profit and Loss" and not retained as an asset upon the books to mislead the shareholders.

27. By the Accounts of the Oriental Bank Calcutta there is a sum of Rupees 235-13-5 to the Credit of the Bank of Bengal. By the Accounts of this Bank the Amount is Rs. 847-13-11 but this includes a dishonored draft drawn by Khader Pacha which is however recoverable and has since been recovered. The retention of items in an account to which they do not belong is an irregularity which ought at all times to be avoided. It leads to misapprehension, and is in reality a blind hiding of the true state of Affairs from the shareholders. It would have been far more honest to have opened an Account called "Dishonored drafts" and entered all drafts returned dishonored under that head the moment they were returned; and further such an Account would be of help to the Agent, as he could look through it daily and see to the recovery of the sums due on them, whereas the scattering of these items over various Accounts misleads and keeps the attention of the Agent from them.

28. The amount to the Credit of this Bank with the Oriental Bank at London is incorrect. It amounts to Rs. 1858-15-16 but this sum includes two dishonored drafts as follows:-

1. Drawn by Mr. Muller on Mr. J. Edwards.	£ 35	.	.
2. " " by Mr. McCally	50	.	.
Total		£ 85	.

leaving only Rs 608-15-16. This is another instance of a misrepresentation of the real state of Affairs. There is also a sum of Rs. 7-11-8 to Credit with the Agra Bank, Madras, and of Rs. 107-2-8 with the Oriental Bank Bombay.

29. We have been able to find Rs. 57-13- of stamps belonging to what is called the "Stamp Account" leaving a deficiency of Rs. 503-5- under this head, which has evidently occurred by Cheque books being taken and issued and not charged for in the Accounts.

30. We now come to the Cash balance and on examination showed only Rupees 7756-2-3 and stands as follows:-

In Specie	Rs. 1546	12	3
" - Notes	7860	.	.
" - Bills	300	.	.
" - Stamps	.	6	.

In Government bonds with the Agent and sent
for realization to the Oriental Bank } Rs. 3950

Total Rs. 77.56 2 3

leaving a deficit of Rs. 22.019 1 11

Total Rs. 49.475 4 2

This deficit will have to be somewhat reduced by deducting certain money orders, transfer receipts, and cheques found by us in searching the Cash Chests and Cashiers drawers. They amounted in value to Rs. 1090-8- as per Schedule No. X. We also found money orders, cheques &c. of the value of Rs. 359-9- in the Sheriff's box as per same Schedule. These two items making a total of Rs. 1449-8-9 will have to be deducted from the deficit leaving Rs. 82,569-9-21 to be accounted for. Regarding this deficit much will be paid hereafter. At present we are merely dealing with it as a matter of account.

31 The Actual Assets of the Bank from which the liabilities are to be met are here shown in an Abstract form. All bad and irrecoverable outstandings are rejected, and even those marked doubtful are left out of the calculation. Regarding these, i.e. the outstandings marked doubtful we may remark that 50 per cent will in all probability be recovered and possibly 75 per cent.

Assets

Law Charges	Rs. 98421-	14	6
Private Bills	253,655	7	3
Deceit	48,781	15	10
Loans	210,795	10	7
Cash Credits	8057	2	8
Furnishings	1408	15	5
Landed property	20,649	7	7
Government Bonds	60,900	.	.
Interest on do.	1510	9	5
Oriental Bank, Calcutta	235	13	5
Dishonored draft, recoverable	500	.	.
Oriental Bank, London and Bombay	716	2	2
Agri Bank, Madras	7	11	4
Stamp Accounts	57	13	.
Cash on hand	7756	2	3
Money Orders &c. found	1449	8	9
Total Rupees	626,325	6	2

Total Rupees six lacs, twenty six thousand three hundred and twenty five annas six and pice two

32. A summary of the doubtful, and bad debts and those recovered and held in suspense is given below as follows:-

<u>Doubtful</u>		<u>R. from</u>	
1. Law Charges	Rs. 2049	8	
2. Private Bills	Rs. 440	3	
3. Decrees	9,145	9	2
4. Loans	29,357	8	3
<u>Total Rs.</u>		<u>83,992</u>	<u>5 1</u>

<u>Bad and Irrecoverable</u>			
1. Law Charges	Rs. 6849	4	1
2. Private Bills	6104		4
3. Decrees	21,544	11	6
4. Loans	18,359	5	11
5. Cash Credits	5,557	15	4
6. Charges	1,989	12	5
7. Stationery	3,384	4	10
8. Directors fees	75		
9. Landed property	2747	6	7
10. Dishonoured draft returned by Oriental Bank Madras	497		
11. ditto London	850		
12. Stamp Account	303	5	
13. Cash deficit	7,40,569	9	2
<u>Total Rupees</u>		<u>108,928</u>	<u>11 2</u>

* This item we have subsequently closed under the head 'Good'.

<u>In Suspense and Private Bills lodged</u>			
1. Law Charges	Rs. 107	7	
2. Private Bills	10,504	3	10
Decrees	14,726	1	6
Loans	2119	15	7
Private Bills lodged	5178	14	
Oriental Bank	3		
ditto Calcutta	112		6
<u>Total Rupees</u>		<u>32,748</u>	<u>10 6</u>

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— Grand Total of these three items		Rs. 2,25,669	10	8
33. To meet the actual liabilities as shown by para 12 of Rs. 829,346 — 1 we find that there are good assets to the extent of Rs. 626,325 - 6 - 2 and doubtful to the extent of Rs. 83,992 - 5 - 1 and more or less at the very least of this latter sum and the whole of the deficit may be classed as recoverable which will give the real assets as follows:—				
Good assets		Rs. 626,325	6	2
More or less of doubtful		Rs. 83,992	5	1
Deficit		Rs. 569	9	2
Total		Rs. 7,08,891	1	10
Difference between Assets and liabilities		Rs. 120,454	11	3
Total Liabilities		Rs. 829,346		1

The loss therefore to the Shareholders we estimate at Rs. one lac twenty thousand four hundred and fifty four, Annas fourteen and pice three and in giving this sum we have rather over than under estimated the loss as it is possible that a greater portion of the outstandings ^{called doubtful} may be recovered than what we have given credit for.

34. While we have carefully calculated the interest due on fixed deposits so as to enable us to give a clear and correct statement of the liabilities of the Bank we have roughly estimated the interest due to date on over due Bills and loans to about Rs. 30,000, which sum would reduce the loss to the shareholders to Rs. 90,454 - 11 - 3. To meet this loss there is a reserve fund of Rs. 28,578 - 1 - 8 set apart for such contingencies which if deducted makes the actual loss to the shareholders, from bad debts and fictitious entries of amounts which ought to have been written off years ago, come to Rs. 61,884 - 12 - 11 which will have the effect of reducing the Proprietors' Capital by about 9 per Cent in value.

35. The result of our inspection is therefore that as regards the public the Bank is perfectly solvent as the amount of good assets exceeds the liabilities by Rs. 89,335 - 11 - 8 irrespective of the sums recoverable towards the deficit and doubtful claims, and as regards the shareholders a loss of the entire reserve fund and of 9 per Cent of their Capital, which however by careful management and low dividends will in a very few years be recouped.

36. We shall now proceed to refer to a few other matters connected with our inspection beginning with the deficit.

37. Our investigation has brought to light that a deficit existed in the Bank for a long time past. When it first commenced, it is hard to say, but we have

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was able to trace it to about the beginning of the year 1876. On the 30th June 1876 Mr. P. Stanton the Auditor drew the attention of the Directors to the fact that the Cash balance on that day consisted of specie and Rs. 28,000 in paper, the genuineness of which he did not know, and he asked the Directors to satisfy themselves on this point. That this paper was either entirely or partially worthless may be inferred from the fact that Mr. Abraham, at the time President of the Bank, sent to Mr. Stanton on two or three occasions after he had given in his report and asked him to alter it, or to certify that the accounts of the Bank were correct. That Mr. Stanton, as an honest man, refused to do further this report was kept out of long time from the Directors and when brought forward the list therein alluded to was not forthcoming. This list the Directors asked for and Mr. Abraham promised to produce it at the next meeting when he said he had mislaid it. He himself stated that he did not examine the Cash Cheques to see if the report made by Mr. Stanton was correct. In addition to this we found a Cheque for Rs. 415 drawn by Mr. Abraham signed Abraham Esq on the Madras Bank in favor of Selva and dated the 30th June 1876. This Cheque Mr. Stanton believes was amongst the paper money that he examined, but he cannot speak positively after the lapse of so many months. The Sheriff Moondram Chetty stated that there was a Cheque of Mr. Abraham's amongst the Bills examined by Mr. Stanton. The Acting Cashier swears that this Cheque formed part of that Cash balance. Mr. Abraham himself explains that he gave this Cheque in lieu of several smaller Cheques. Taking the evidence as a whole together with the date of the Cheque we have no doubt but that it formed a part of the bills referred to by Mr. Stanton, and that a deficit then existed and that Mr. F. N. Abraham, the President, knew of it, and had participated in the use of the Cash deficient, and that such being the case he did all he could to prevent enquiry.

37. Mr. Bain the Agent also must have known of the existence of this deficit. He denied all knowledge regarding it, but Mr. Stanton said that the Agent was present at the examination of the Bills he alluded to in his report, and that he left the list on the table. Mr. Bain is therefore very culpable in the matter, and as Agent ought to have prevented these irregularities.

38. We have next the evidence of the Acting Cashier G. Venkatchellapathie to the effect that this deficit increased considerably between July 1876 and June 1877 and that Mr. Abraham in order to reduce it contracted a loan of Rs. 5000 and discounted a Rs. 1000 note, endorsed by Messrs. Rofs and Co. for Rs. 2500 besides paying in Cash. That the

Cashier took away Rs. 1000 in small coins from the Bank, when Mr. Bain was absent under the pretence of exchanging them for whole Rupees as the Bank had too much small silver, and that he paid this sum into the Judicial & Commisjoner's Court in part satisfaction of a decree against him, he being at the time under arrest on a warrant issued from that Court and fearful of being incarcerated in the Civil Jail if something was not paid. There is no entry of this transaction in any of the Bank books. Mr. Bain knew nothing about it, and there is no evidence that the money was ever returned to the Bank. Besides this it has been proved that in another case he satisfied a decree of the Small Cause Court by paying from the Bank Rs. 200 in notes on one occasion and ordering the Sheriff to pay Rs. 397 in Cash on another occasion. The Amcunt had arrested him near to his house and he brought him to the Bank and paid the money. There is also evidence of the father Gaudy Sirkatarayil Chetty having come to the Bank and after 12. M. and when all the Clerks had gone away taking away Rs. 1000 in notes and Rs. 1000 in Specie or thereabouts. This was done in complicity with his son the Acting Cashier.

43. With these circumstances before us we are unable to accept the Cashier's explanation regarding the entry of Rs. 20,000 and consider that he is responsible for this amount.

44. As regards the money said to have been taken away by Mr. Bain, this gentleman admits that he kept a private account with the Cashier in respect of his current account with the Bank, and that he did not draw against the private account till he had first lodged Rs. 2500 with the Acting Cashier to meet his drafts and after that a second sum of Rs. 2500 and that he believes that the Cashier is still indebted to him although he is not in a position to prove it. The bill produced by the Cashier against Mr. Bain amounts to Rs. 18,959-2-6 less Rs. 5000 received, leaving a balance of Rs. 13,959-2-6 which he now claims. We went through this account carefully item by item with such vouchers as were produced and the Bank books and found that only Rs. 2450-3-3 are chargeable to Mr. Bain. Nearly the whole of this amount has been drawn from the Cash Chest on vouchers that have been altered by Mr. Bain's private Clerk, D. Das, who was employed in connection with the Tannery business kept by Mr. Bain. This man acknowledges having made the alterations at the request of the Cashier, which the latter denies, stating that he paid the money on the vouchers as presented to him.

45. It is not for us to determine the amount of guilt attaching to either or both of these individuals, but if Mr. Bain chooses to keep his own money in the Bank

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Cash Chest and his private Clerk in the Bank Office transacting his private business in contravention of section 24 of the Rules for the guidance of the Agents and Officials of the Bank it is only fair that he and not the shareholders should bear any loss caused by the forgeries committed by his Clerk in transacting his private business that had no connection with the Bank. Mr. Bain stated however and we fully believe him that the Cashier never mentioned a word to him about any balance being due by him till the deficiency was discovered in the Cash Chest.

46 In justice to both parties we went into this account, but there is one important fact that has to be noticed and that is that it may account for the deficit which has existed as we believe for a long time past, but which was made good or wiped off in some manner prior to the 30th June 1877 when the Cash was examined and found correct, but it does not account for the deficit of Rs 40,000 which occurred between that date and the 30th Sept last.

47 With reference to the Rs 5100 alleged to have been taken by Mr. Abraham between the 30th June and 30th Sept. 1877, he paid this sum under protest and it was after deducting this sum that the present deficit has been arrived at.

48 From the accounts and from the evidence we come to the conclusion that the Cashier had the control of the whole of the money after the 30th June 1877 and that a sum of over Rs 40,000 is missing, and under these circumstances he must account for it and is liable; but his liability does not shield Mr. Bain who as Agent is liable for the culpable neglect of his duties, and for his suffering such a large sum to remain in the hands of the Cashier against the rules and for his persistent reticence carried to an extent almost criminal, until reticence was no longer possible. Nor is Mr. Abraham the President of the Board of Directors less liable as he was all along cognizant of the deficit, had evidently participated in the spoil, and had endeavoured to persuade the Auditor to alter his report and to prevent enquiry. As the President of the Bank it was his duty to have seen that all its transactions were carried out properly; but he appears to have used his position and his influence for his own ends and to check enquiry as much as possible. His conduct is highly culpable if not criminal, and we hold that he as well as Mr. Bain and G. Venkatchellai patil Chetty are jointly and severally liable to the Bank to make good the deficit; and as Mr. Bain has securities and shares to the extent of Rs 18,000 and has further deposited a life insurance policy with the Directors of the value of Rs 20,000 and as both Mr. Abraham and G. Venkatchellai patil are reputed to be worth something, and the latter has further

1. surely, in the person of his father, for Rs. 5000, who has admitted his liability to say that sum before us if any deficiency be proved against his son, we have held the deficit as a good and recoverable asset, and we would direct the attention of the present Directors to the realization of these pecuniaries as soon as possible.

49. With reference to para 10 we beg once more to allude to the dishonored bills drawn by Messrs. Abraham & Co. and the Cashier. The bills drawn by the former have been lying in the Bank since May and June and have not been taken up as yet. When Messrs. Abraham & Co. drew them, they ought to have made arrangements for them to be met, and since they were returned dishonored we must infer that no such arrangements had been made and that they were passed into the Bank merely with the object of getting money and without any intention of taking them up. These bills following one after another shows the undue influence exercised by W. F. N. Abraham as President over the Agent and the Concerns of the Bank and that he used his position to advance his own ends and not the well being of the Bank. Regarding the Cashier's drafts we can only remark that he obtained the money with as much ease as Mr. Abraham by following his example. We find that these bills amounting to Rs. 9372-9-2 exclusive of interest have been omitted by us in our calculations but they form an asset of the Bank which on realization will reduce the loss by Rs. 10,000. Copies of letters written by Mr. Bain to Mr. Abraham on the subject of these dishonored drafts are herewith annexed as Appendix - 1st XII. To these letters Mr. Abraham never sent a written reply.

50. We have also to mention that the Cheques were found by us drawn chiefly by the Acting Cashier G. Venketachellal Pathur in June and July 1877 on the Bangalore Bank amounting in all to Rs. 21,551-8-- and which were sent to Madras and passed through the Madras Bank and paid at the Bangalore Bank. At the time neither G. Venketachellal nor his father had any account in the Bank against which they could draw, and these cheques have not been passed through the books and may in a measure account for a large portion of the deficit.

51. In conclusion we have to remark that the shareholders are in some measure to blame for having permitted Mr. Bain to remain in office so long. They ought to have protested upon his resignation some two years ago. They knew him to be an old man, and that he had a severe attack of illness early in 1876 which must have weakened him in body and in mind and this was followed by a family bereavement in the death of his wife. His carelessness and neglect of duty can't doubtless be traced to these causes.

and sent since the 29th June 1877. He did not even mention the Registrar of Companies with the Agent. He has credit however not and would be glad that during the 11 years he was Agent of the Bank the shareholders have received Rs. 5,78,000/- 1-5 in dividends which amounts to 87 per cent and the present capital, and generally 100 per cent of the Overplus Capital of the Bank. He has seen and due course of business the shareholders would not have much more to complain of and would be very glad to see 9 per cent of their Capital, but the Reg. could not have occurred had their proposition been accepted by the Directors and had the Reg. and Co. had attended to their legal rights and duties instead of to their own interests, and had Mr. B. not got embroiled in the Company's affairs against the rules of the Bank.

Respectfully,
J. W. Waring

Government of Madras

Madras
26th Nov 1877

For other papers
see enclosure of the separate collection.

No 335 1/2

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The Agent, Bangalore Bank L^d
Rao Bahadur, Narayanaswamy M^{rs}

22-11

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Dated Bangalore 12th December

Despatched _____ " _____ " _____

Received

Enclosures No. 13 } 1 Report
sent to each } 12 Appendices

General No. 8060

5 No. 383

in Orders that the joint Report by Messrs. Placay & W. Jennings, be communicated to the Agent of the Bangalore Bank (d^o?) for the information of the Directors, and a farther copy to Rai Bahadur A. Parramiswamy Moodi, and others, on whose application the investigation, made under Sec: 56 of Act X of 1866, was instituted.

Bangalore 12th Decr 1877.

General No: 8060

F. " 383

108 CC No. 108

Rank
1-71

Now
The Joint Report submitted date
26 Nov 1877 submitted by the
Govt. Insp. Lacey B.L. &
W. Jennings, appointed for
inspection under Sec 56 of
the Indian Companies Act X of
1866, to investigate the affairs
of the Bang. Bank Limited.

Ordered that under the provision
of Sec. 59 of the Indian Companies
Act X of 1866, copies of the
Report shall be communicated
to the Agents of the Bangalore Bank
Limited, for the information of the
Directors, and ~~to the L. J. Agents~~
~~and also~~ a further copy
to be sent to the Raj Bahadur A.
Karnamswamy Mudali and
others to whom application
for investigation made under
Sec 56 of the Act was instituted.
All other copies of the Report
to be kept in the office of the
Inspector of Companies, Bangalore,
and the same to be kept in
the office of the
Inspector of Companies, Bangalore.

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~~Admiral, master & captain~~
~~Curran & his wife & children~~
~~on the 11th of March~~

2. Mr. Dacey and Mr. Lenny

have discharged the task ^{and attention, care and labour}
 entrusted to them with ~~the~~

great diligence and despatch

and their work has been

most complete & satisfactory

and they have also

and have earned the

thanks of the ~~Board~~ ^{Admiral} Captain

as well as
 and of those interested in
 the conduct of the Bank.

3. The other several shareholders

on whose application the company

was set on foot, who I informed

that the marginally stated sums

have been disbursed for the

and ^{disburse} ~~costs~~ by them to meet

the costs of the company.

Profr. W. L. Dacey £. 400

- - - W. Lenny - 400

Contingencies for
 Clerk & Stationery - 70

12/12/77

The Agent B. B. Lenn?

Rev. Mr. A. Kermesbury Wood &
 other shareholders of the
 Bank also Bank directors